

**Publication: CNA Online**

**Date: 9 June 2024**

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## **China's ride-hailing industry hits saturation point in more cities, triggering warnings from local governments**

Since April, at least eight cities in China have issued notices on ride-hailing. They have also warned of fake impressions given by local ride-hailing platforms and car rental companies.



Once seen as a lucrative industry with flexible working hours, ride-hailing drivers in China are now working longer hours and receiving fewer orders, prompting cities across the country to warn of saturation in the market.

Since April, at least eight cities in China have issued notices to drivers as well as entrepreneurs looking to start online ride-hailing platforms.

“Invest cautiously in the ride-hailing industry,” stated a notice by Jiangsu province’s Xuzhou city transportation bureau on Wednesday (Jun 5). Operators interested in the ride-hailing market should do enough research and understand supply and demand forces, it advised.

Other cities that have issued similar notices in recent months include Putian in southern Fujian province, Suzhou in Jiangsu province and Xiangtan in central China’s Hunan province.

Last year, the cities of Dongguan, Sanya and Changsha were among those that warned of market saturation.

The increase in ride-hailing drivers in China has outpaced bookings.

The number of licensed drivers shot up from 2.9 million at the end of 2020 to 6.8 million by March 2024 – an increase of 57 per cent – while public demand for ride-hailing increased by about 45 per cent, according to the National Ride-Hailing Regulatory Information Platform.

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The number of ride-hailing platforms also continues to grow. In April, there were 349 platforms, up from 309 a year ago.

Major players in China include Ruqi Travel, Xiangdao Chuxing, Caocao and Didi. Ruqi Travel is owned by state-backed automaker GAC Group, while SAIC Motor owns Xiangdao Chuxing. Caocao is under Zhejiang Geely Holding Group.

#### DRIVERS EARNING LESS, WORKING LONGER

Intensifying competition means many drivers are earning less than before, and some are also given a false impression by recruiters of what they can earn, various news outlets have reported.

A driver in Shanghai shared that he could previously earn more than 10,000 yuan (US\$1,380) a month as there were platform bonuses and fewer drivers around, but his income has declined since 2019 to about 6,000 yuan now, news outlet Shanghai Daily reported.



Another driver in Shanghai said he became a private-hire driver through a company recruiting for ride-hailing platforms.

The company had claimed fares in Shanghai started from 20 yuan, when in reality it was 12 to 13 yuan, he told news site The Paper. Drivers were also required to make at least 600 yuan a day before they were paid.

“If you don’t work at least 15 to 16 hours a day, you can’t hit the 600 yuan target,” said the 18-year-old driver, who used a pseudonym.

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In 2023, Shanghai stopped accepting new ride-hailing permit applications to ensure an "orderly and healthy development" of the city's ride-hailing market, the South China Morning Post reported.

In a notice on May 15, Putian's transportation bureau also warned of realities facing drivers who enter the industry.

The city's 24,177 licensed ride-hailing drivers earn 4,000 to 8,000 yuan and get four days of rest a month on average, said the bureau.

To get drivers to rent or buy cars, some ride-hailing platforms, car leasing companies and car dealers make claims of "numerous ride-hailing orders and high income", it said.

Drivers risk not being paid in full or on time when these enterprises face operational difficulties and are unable to pay off their debts, or if they "skip town", the bureau warned.

#### SOME DRIVERS COULD EXIT INDUSTRY

Analysts told CNA that the market will take time to reach a new equilibrium.

Despite robust public transport systems in major Chinese cities, ride-hailing boomed in the country because it offered a "reasonable way of life for many ordinary citizens, and made (it much easier for) those wanting to get a ride in fast-growing cities", said Dr Terence Fan, an assistant professor of strategy and entrepreneurship at Singapore Management University.

But the country's economic growth has slowed since the COVID-19 pandemic and the job situation has worsened, he said.

"Think stalled construction sites, slowdown in overall trade – encouraging more (people) to be ride-hailing drivers and hence further exacerbating the pay for average drivers."

With imbalance between supply and demand in the short term, drivers will have to expect lower revenues and face operating pressures such as the cost of their vehicle loans, said Ms Chan Ming Lih, an industry principal with consulting firm Frost & Sullivan's mobility practice.

Some will shift to other jobs or only work part-time in ride-hailing, she said.

"Few in the younger generation remember what it's like for (China's) economy to grow this slow, or even shrink. Ride-hailing is one of the industries caught in this dynamic. It will take some time to equilibrate," said Asst Prof Fan.

Source: CNA/lk